

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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A report of a visit to the USSR Academy of Sciences' Institute of Economics and to the Planning and Economic Department of the USSR Ministry of Higher and Specialized Secondary Education

A brief description of the organization and current tasks is given for each institution. It was stated that the USSR Academy of Sciences' Institute of Economics was working on the most important lines of development for the new five-year plan and that a report on this topic had been presented to GOSPLAN in February 1964.

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A. Institute of Economics of the USSR Academy of Sciences.

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1. History and Function. The institute has existed for thirty years. It is the leader in a system of scientific academies within the USSR. The institute leads research on investment and pricing, as well as material incentives. These three problems are worked into the national economic plan. Research in each of the three problem areas is carried out by scientific academies in the various republics, their affiliates, various branch institutes, and in universities' economic faculties. A unified research plan prevents duplication. The institute works closely with practical problems, but has purely theoretical departments which take up general problems connected with economic development, economic thought, and Soviet economic history. The institute also studies plant location problems. Capital efficiency is studied not only functionally but territorially.
2. Organization. The institute has the following departments:
 - a. Department for the Determination of Capital Investment Efficiency and for Enterprise Location, headed by (Fnu) KHACHATUROV.
 - b. Department of Material Incentive (Khozraschet) headed by Professor GOTOVSKIY.
 - c. Department of Prices and Pricing, headed by (fnu) DYACHENKO.

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- d. Department of Political Economy, headed by (Fnu) KRONROD.
- e. Department of History of the National Economy, headed by (Fnu) POSHKOV.
- f. Department of History of the Economy of the USSR, headed by (Fnu) GLADKOV.

At the present time the institute employs over 400 peoples, and has turned out 500 scientific studies. It publishes Voprosy Ekonomiki, chief editor for which is GOTOVSKIY. Formerly the institute also had a department for mathematical economics, e.g. economists who were also specialists in mathematics. They worked primarily in the field of Capital Investment efficiency, but have now been moved to a special new institute of mathematical economics attached to the Academy of Sciences.

3. Current Tasks. At the present time the institute is working out the most important lines of development for the new five year plan. A report on this had been presented to GOSPLAN in February.
4. Investment. Investment in the USSR totals more than 40 billion rubles per year. The demand for investment funds outruns the supply, and decisions for investment allocation are made on the basis of the national plan. Regarding the total figures for investments in the chemical industry given in Khrushchev's speech, these were not merely for the chemical industry itself but for followup investments in other branches of the economy.
5. Capital Investment Efficiency. In 1960 a methodology was established for determining the efficiency of capital investment. This methodology recommended the use of a kind of pay-off period method, whereby the absolute efficiency of capital investment would be defined as the growth of national income derived from each ruble of investment. For the present this growth figure is set at approximately 50 kopecks. Included in this methodology is not only the absolute efficiency as indicated above but also the relative efficiency. Here there comes into play a technical decision as to what choice to make to achieve a particular production goal. One predicts the time period in which the savings in total cost pay back the difference in investment costs between two different ways of arriving at the same plan goal. Thus one has a norm time period within which investments shall pay their own way within various areas. In such fashion one can predict for any investment whether or not it will pay for itself, or indeed, whether or not to invest at all. Concerning the normal time period there are two points of view. Certain economists maintain that there should be a common time period for the whole economy. Others oppose this, and believe that different time periods for different branches of industry must be used in order to prevent an undesirable allocation of investment resources among various branches of the economy. GOSPLAN, the Academy of Sciences, and this economic institute hold to the second viewpoint. The investment return period in the electronics industry, for example, is to be three years, for transport twenty years, and for the paper industry four years. The norm periods for investment return are worked out and applied by the various industrial ministries.

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6. Pricing. Prices are now being brought more into line with costs, where before costs played a lesser role. On 1 January 1965 new wholesale prices will come into effect. These have already been worked out. Prices in the coal and wood industries will be increased, whereas prices will drop in the processing industries. Agricultural prices will drop considerably.
7. Other personnel identified at the institute were I. B. Mayevskiy, acting chief; (fnu) Kurskiv, chief of an unidentified sector; A. I. Shuster, secretary for the Scientific Council for Capital Investment Efficiency; and G. M. Popov, secretary for scientific communication.

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3. Planning and Economic Department of the USSR Ministry for Higher and Specialized Secondary Education. 50X1-HUM
1. The department works out long range plans for education with other organs. It is responsible for these plans and presents them to the government. 50X1-HUM
 2. Although current plans are also handled in part by this department, GOSPLAN and the Republic Soviets play the leading roles. Long range plans are worked out on the basis of needs which are presented for a particular period and in overall fashion, e.g. need for engineers, teacher, etc.. In all there are 22 groups, of which 15 make up the so-called engineer group. The current year plan is worked out for subgroups within the above overall groups.
 3. The department also works with education statistics. At present they are working out plans for the period 1966-70, which constitutes a 5-year segment of a long-range plan for a 20-year period. The current plan covers the years 1964 and 1965. The basic principle on which the plan for specialized training is based is the direct tie-in with the national economic plan and the country's "cultural level". Requirements for specialists are reckoned both as to quality and quantity. Occupations within various branches of the economy for the last years are the departure points for estimating requirements. These are compared with the number of specialists which will be available at the end of the planning period (1970 for the current plan). The planned number is worked out by GOSPLAN and the Republic Soviets.

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4. Plans for national economic development and plans for education and training are worked out together. Here GOSPLAN gives different parameters to the ministry on the basis of which it works out its sub-plans for education. For the Chemical Industry during the period 1966-70 a growth of from 3 to 4 times the number of specialists is anticipated. When the plans are worked out, cognizance is taken of the percentage of various specialists that are necessary for the normal functioning of different industries. Changes in the percentage of specialists within the various groups is analyzed carefully. In 1962 the percentage of specialists for industry as a whole was 10 percent of the working force.
5. A specialist is defined as someone who has had academic training or a person who has completed a specialized middle school. The "engineer" category includes geologists, machine builders, electrical engineers, etc. The other, non-engineering, group of specialists consists of: agriculture, university (sic), art, medicine, law, economics, and teaching.
6. Structural changes in industry and within the national economy reflect strongly on training. The demand for specialists within various industries develops differently. Through analysis, however, it is possible to predict the overall need for specialists in any one year, for example 1970. Three major factors were noted in this regard:
 - a. The expected growth in the number of specialists.
 - b. The removal of specialists through death or for other reasons (replacement need). The lowest figure for this is 3%. The percentage is higher in branches of industry where women are specialists, since they have lower retirement age, want to go out and start families, etc. The percentage is also higher in branches of industry which are considered dangerous; but is low in medical care. Percentages also vary geographically, and the various republics adjust their requirements accordingly. If the number of specialists in the USSR today is ca.10,000,000, the replacement requirement per year is 300-350,000.
 - c. There is also the problem of replacing people who have previously held positions better suited for specialists but who are not modern specialists themselves. Aside from replacement, they can also educate themselves through correspondence courses (which play a large role here) and bring themselves up to the level required by the job. The number of people in this category is about one tenth of the three categories combined. It will be even less as more people get better specialized education.
7. The following miscellaneous observations were also made regarding planning.

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- a. It is hard to plan the structural breakdown in each industry, the chemical industry using 60% chemical engineers, 10% instrumentation engineers, etc, but figures are valid for the economy as a whole.
 - b. Previous growth curves in needs for specialists are studied. The experience of leading enterprises is valuable here.
 - c. State committees for each branch of industry also help determine the needs for each kind of specialist.
 - d. At present there are 800,000 people enrolled in universities, twenty percent of the age group.
 - e. Statistics used in planning are available in Vyshee obrazovaniye v SSSR, 1961 and Srednee spetsialnoye obrazovaniye v SSSR, 1962.
 - f. Management trainees are given on-the-job training. Many engineers take evening courses for further training in their specialty and in economics.
 - g. The first draft of the plan for education goes from GOSPLAN to the Ministry, which works out a full scale plan and sends it back to GOSPLAN. The latter matches it with the plans of other planning departments, and returns it to the Ministry with a final goal figure, which is then used as the basis of Ministry's final plan.
8. The following personnel were identified: (fnu) Noshko, Chief of the Planning and Economic Department; N. I. Mvchko, employee of the department; and (fnu) Lebedev, also an employee of the department.

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